

JACKSON COUNTY PUBLIC HOSPITAL
MAQUOKETA, IOWA

FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

JACKSON COUNTY PUBLIC HOSPITAL

Table of Contents

	<u>Page</u>
BOARD OF TRUSTEES AND HOSPITAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-4
BASIC FINANCIAL STATEMENTS	
Balance Sheets	5
Statements of Revenues, Expenses, and Changes in Net Assets	6
Statements of Cash Flows	7-8
Notes to Financial Statements	9-16
SUPPLEMENTARY INFORMATION	
Independent Auditor's Report on Supplementary Information	17
Schedules	
Budgetary Comparison Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual (Cash Basis)	18
Net Patient and Resident Service Revenue	19
Other Operating Revenues	20
Operating Expenses	21-27
Patient and Resident Receivables and Allowance for Doubtful Accounts	28
Supplies/Prepaid Expenses	29
Statistical Information	30
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING	31-32
SCHEDULE OF FINDINGS	33-34

JACKSON COUNTY PUBLIC HOSPITAL
HOSPITAL BOARD OF TRUSTEES AND HOSPITAL OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Trustees</u>		
Gloria Jorgensen	Chairperson	December 31, 2004
Kevin Burns	Vice-Chairperson	December 31, 2006
Eilene Busch	Secretary	December 31, 2008
Dwain Trenkamp	Treasurer	December 31, 2006
Bob Specht	Member	December 31, 2008
Bob Thomas	Member	December 31, 2004
Jodi Helmle	Member	December 31, 2004
<u>Hospital Officials</u>		
Curt Coleman	Chief Executive Officer	
Donna Roeder	Chief Financial Officer	
Cheryl Shireman	Director of Nursing	



Consultants • Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Jackson County Public Hospital
Maquoketa, Iowa

We have audited the accompanying balance sheets of **Jackson County Public Hospital** as of June 30, 2004 and 2003, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Jackson County Public Hospital** as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2004, on our consideration of **Jackson County Public Hospital's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 and 4 and the Budgetary Comparison Information on page 18 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Eide Bailly LLP

Dubuque, Iowa
September 15, 2004

**Jackson County Public Hospital
Management's Discussion and Analysis
June 30, 2004**

As management of the Jackson County Public Hospital, we offer readers a narrative overview and analysis of the financial activity of the facility. We encourage readers to consider the information presented along with the subsequent audited financial statements.

Financial Highlights

- The Hospital's assets exceeded its liabilities by \$16,418,760.00 at June 30, 2004.
- The Hospital recorded loss from operations of \$188,084.00 for the fiscal year ending on June 30, 2004.
- 101 days cash on hand was reported at June 30, 2004.
- 51 days in net patient and resident accounts receivable was reported at June 30, 2004.
- The Hospital had 2,601 patient days in 2004, an increase of 4% from 2003.
- The Hospital had 21,735 outpatient registrations in 2004, an increase of 3% from 2003.
- The Hospital had 6,629 resident days in 2004, an increase of 1% from 2003.

Overview of the Financial Statements

The audited financial statements from Eide Bailly, LLP include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, Statement of Cash Flows, Notes to Financial Statements, and Supplementary Schedules.

The Balance Sheet at June 30, 2004, indicates total assets of 19,053,534.00, total liabilities of \$2,634,774.00 and net assets of 16,418,760.00. Total current assets were 2,869,361.00, and total current liabilities were 2,634,774.00 for a current ratio of 1.09.

The Statement of Revenues, Expenses, and Changes in Net Assets indicates total operating revenues of \$11,419,718.00, and total operating expenses of \$11,607,802.00 for an operating loss of \$188,084.00. Net nonoperating revenues of \$875,713.00 along with scholarship fund expenses of \$170.00, brings the total revenues in excess of expenses to \$687,459.00 for 2004 which increased the net assets from \$15,731,301.00 to \$16,418,760.00.

As reported in the Statement of Cash Flows, cash and cash equivalents increased from \$49,327.00 at June 30, 2003 to \$59,319.00 at June 30, 2004. The net increase in cash and cash equivalents of \$9,992.00 came from operating activities of \$807,134.00, noncapital financing activities of \$832,031.00, capital and related financing activities of <\$6,355,448.00> and investing activities of \$4,726,275.00.

There are notes to the financial statements included in the audit report. All of the notes are consistent with and similar to audit reports from prior years. The reader is encouraged to examine them at his or her leisure.

The Supplementary Schedules give the reader much more detail than is disclosed in the Statement of Revenues, Expenses, and Changes in Net Assets. The revenues are detailed by department and by patient status, and also compared with the previous year. The expenses are detailed by department and by natural expense classification, and also compared to the previous year.

Significant Budget Variations

The most significant budget variance was total expenses of \$17,208,053.00 due to additional construction activities compared to a budget of \$16,309,096.00.

Capital Assets

Jackson County Public Hospital's capital assets as of June 30, 2004 amounted to \$13,284,589.00 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment and construction in progress.

At year-end, Jackson County Public Hospital had \$225,000 in debt outstanding. During 2004, the Hospital completed Phases II and III of its Master Site and Facility Plan. The major components of this include the new Skilled/Long Term Care Unit, Medical Surgical/ICU/Obstetrics units, Outpatient Care Unit, Purchasing and Receiving area, Ambulance garage, helipad, and extensive upgrade to the heating and cooling systems. The total cost to date is estimated at approximately \$9.2 million including fees, furnishings and miscellaneous expenses. Phases IV, V, and VI were evaluated by the Board and it was determined that these will be delayed given budget considerations. However, the Hospital will evaluate the feasibility of developing a new specialty clinic area outside of the Emergency Department with a decision expected during the 2005 fiscal year. Preliminary estimates for this are in excess of \$300,000.

Other large capital expenditures scheduled for fiscal year 2005 include the purchase and installation of laboratory and pharmacy information systems packages totaling approximately \$133,000.

Purchase of capital assets and retirement of debt are expected to come from operating cash, non-operating funds (primarily from the annual tax levy of \$795,000) and debt financing through a short-term bank loan, if needed.

JACKSON COUNTY PUBLIC HOSPITAL
BALANCE SHEETS
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 59,319	\$ 49,327
Receivables		
Patient and resident, net of estimated uncollectibles		
of \$843,000 in 2004 and \$586,000 in 2003	1,557,902	1,588,341
Succeeding year property tax receivable	795,000	795,000
Estimated third-party payor settlements	93,000	50,000
Interest	-	7,627
Other	5,865	18,251
Supplies	292,807	245,160
Prepaid expenses	<u>65,468</u>	<u>93,988</u>
 Total current assets	 <u>2,869,361</u>	 <u>2,847,694</u>
 ASSETS LIMITED AS TO USE - Note 4		
Investments		
By board for capital improvements	<u>2,899,584</u>	<u>7,578,303</u>
 LAND, BUILDINGS, AND EQUIPMENT, net - Note 5	 <u>13,284,589</u>	 <u>7,620,935</u>
 OTHER ASSETS		
Physician advances	<u>-</u>	<u>4,466</u>
 Total assets	 <u>\$ 19,053,534</u>	 <u>\$ 18,051,398</u>

See notes to financial statements.

	<u>2004</u>	<u>2003</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable - Note 6	\$ 225,000	\$ -
Accounts payable		
Trade	560,166	287,727
Construction	463,799	720,465
Accrued expenses		
Salaries and wages	146,277	117,156
Paid leave	339,276	330,957
Payroll taxes and other	105,256	68,792
Deferred revenue for succeeding year property tax receivable	<u>795,000</u>	<u>795,000</u>
 Total current liabilities	 <u>2,634,774</u>	 <u>2,320,097</u>
NET ASSETS		
Invested in capital assets, net of related debt	13,059,589	7,620,935
Unrestricted	3,313,224	8,064,248
Restricted		
Expendable for scholarships	15,947	16,118
Nonexpendable permanent endowments	<u>30,000</u>	<u>30,000</u>
 Total net assets	 <u>16,418,760</u>	 <u>15,731,301</u>
 Total liabilities and net assets	 <u>\$ 19,053,534</u>	 <u>\$ 18,051,398</u>

JACKSON COUNTY PUBLIC HOSPITAL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Net patient and resident service revenue (net of provision for bad debts of \$423,930 in 2004 and \$490,885 in 2003) - Notes 2 and 3	\$ 11,299,114	\$ 9,929,669
Other operating revenues	<u>120,604</u>	<u>128,960</u>
TOTAL OPERATING REVENUES	<u>11,419,718</u>	<u>10,058,629</u>
OPERATING EXPENSES		
Salaries and wages	5,217,430	4,953,087
Supplies and other expenses	5,469,392	4,588,826
Depreciation	<u>920,980</u>	<u>645,409</u>
TOTAL OPERATING EXPENSES	<u>11,607,802</u>	<u>10,187,322</u>
LOSS FROM OPERATIONS	<u>(188,084)</u>	<u>(128,693)</u>
NONOPERATING REVENUES (EXPENSES)		
County tax revenue	795,680	796,495
Noncapital grants and contributions	36,351	14,403
Investment income	39,496	197,122
Gain (loss) on disposal of equipment	<u>4,186</u>	<u>(943)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>875,713</u>	<u>1,007,077</u>
REVENUES IN EXCESS OF EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS AND CHANGES IN SCHOLARSHIP FUNDS	687,629	878,384
Capital grants and contributions	-	24,838
Investment income on scholarship funds	433	1,376
Scholarships awarded	<u>(603)</u>	<u>(1,800)</u>
INCREASE IN NET ASSETS	687,459	902,798
NET ASSETS BEGINNING OF YEAR	<u>15,731,301</u>	<u>14,828,503</u>
NET ASSETS END OF YEAR	<u>\$ 16,418,760</u>	<u>\$ 15,731,301</u>

See notes to financial statements.

JACKSON COUNTY PUBLIC HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of patient and resident service revenue	\$ 11,286,553	\$ 9,775,778
Other receipts	132,990	122,563
Payments of salaries and wages	(5,143,526)	(4,924,733)
Payments of supplies and other expenses	<u>(5,468,883)</u>	<u>(3,838,572)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>807,134</u>	<u>1,135,036</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County tax revenue received	795,680	796,495
Noncapital grants and contributions received	<u>36,351</u>	<u>14,403</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>832,031</u>	<u>810,898</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(6,596,259)	(4,346,733)
Capital grants and contributions received	-	24,838
Proceeds from sale of equipment	15,811	-
Proceeds from note payable	<u>225,000</u>	<u>-</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,355,448)</u>	<u>(4,321,895)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in assets limited as to use	4,678,719	2,094,309
Investment income received	<u>47,556</u>	<u>282,130</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,726,275</u>	<u>2,376,439</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,992	478
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>49,327</u>	<u>48,849</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 59,319</u>	<u>\$ 49,327</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Loss from operations	\$ (188,084)	\$ (128,693)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation	920,980	645,409
Amortization of physician advances	4,466	18,600
Restricted scholarships awarded	(603)	(1,800)
Provision for bad debts	423,930	490,885
Changes in assets and liabilities		
Receivables	(381,105)	(491,208)
Supplies	(47,647)	(15,566)
Prepaid expenses	28,520	(62,404)
Accounts payable	15,773	811,424
Estimated third party payor settlements	(43,000)	(159,965)
Accrued expenses	<u>73,904</u>	<u>28,354</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 807,134</u>	<u>\$ 1,135,036</u>
SUPPLEMENTAL NONCASH CAPITAL ACTIVITY		
Capital asset purchases included in accounts payable at June 30, 2004	<u>\$ 665,410</u>	

JACKSON COUNTY PUBLIC HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Jackson County Public Hospital (Hospital) consists of a 25-bed acute care hospital and an 18-bed skilled nursing/long-term care facility, located in Maquoketa, Iowa. It is organized under Chapter 347 of the Iowa Code and governed by a seven member Board of Trustees elected by the public for terms of six years. The Hospital is an Iowa nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Reporting Entity

For financial reporting purposes, Jackson County Public Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital has no component units required to be reported in accordance with the Governmental Accounting Standards Board criteria.

Basis of Accounting

The Hospital reports in accordance with accounting principles generally accepted in the United States of America as specified by the American Institute of Certified Public Accountants' *Audits of Providers of Health Care Services* and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned and expenses are recorded when the liability is incurred.

In reporting its financial activity, the Hospital applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

JACKSON COUNTY PUBLIC HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased, excluding assets limited as to use.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized customer and third-party payor obligations. Unpaid patient and resident receivables are not charged interest on amounts owed.

Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients, residents, and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. Management also reviews accounts to determine if classification as charity care is appropriate.

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Supplies

Supplies are stated at lower of average cost or market.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes.

Restricted Net Assets

Restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors, from unrestricted net assets on which donors or grantors place no restriction or which arise as a result of the operations of the Hospital for its stated purposes.

JACKSON COUNTY PUBLIC HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

Land, Buildings, and Equipment

Land, buildings, and equipment acquisitions in excess of \$2,000 are capitalized and recorded at cost. Land, buildings, and equipment donated for Hospital operations are recorded as additions to net assets at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of land, buildings, and equipment are as follows:

Land improvements	8-20 years
Buildings	5-56 years
Equipment	3-25 years

Donated Assets

Donated supplies, investments, and land, buildings, and equipment are recorded at fair value at date of donation, which then is treated as cost.

Compensated Absences

Hospital employees accumulate a limited amount of earned but unused paid leave hours for subsequent use or for payment upon termination, death, or retirement. The cost of paid leave is recorded as a current liability on the balance sheet. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable.

Net Assets

Net assets of the Hospital are classified in three components. *Net assets invested in capital assets, net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets, net of related debt* or *restricted*.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

JACKSON COUNTY PUBLIC HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

Net Patient and Resident Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

To fulfill its mission of community service, the Hospital provides care to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients and residents is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as adjustments to patient and resident service revenue depending on the timing of the charity determination.

Investment Income

Investment income consists entirely of interest on cash and deposits and is included in nonoperating revenues and expenses.

Advertising Costs

The Hospital expenses advertising costs as incurred.

Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Reclassifications

Certain prior period amounts within the accompanying statements have been reclassified for comparability.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

(continued on next page)

JACKSON COUNTY PUBLIC HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE 2 – CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. The amounts of charges foregone for services and supplies furnished under its charity care policy during the years ended June 30, 2004 and 2003, were \$21,142 and \$41,934, respectively.

NOTE 3 – NET PATIENT AND RESIDENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended June 30, 2002. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

Medicaid

Hospital

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 20, 2002.

Nursing Home

Routine services rendered to nursing home residents who are beneficiaries of the Medicaid program are paid according to a schedule of prospectively determined daily rates.

Other Payors

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements may include prospectively determined rates and discounts from established charges.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation.

JACKSON COUNTY PUBLIC HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

A summary of net patient and resident service revenue and contractual adjustments for the years ended June 30, 2004 and 2003, is as follows:

	<u>2004</u>	<u>2003</u>
Total patient and resident service revenue	\$ 17,107,116	\$ 15,288,145
Contractual adjustments		
Medicare	(3,860,604)	(3,105,396)
Medicaid	(883,305)	(1,057,904)
Policy discounts	(53,863)	(60,493)
Other	<u>(586,300)</u>	<u>(643,798)</u>
Total contractual adjustments	<u>(5,384,072)</u>	<u>(4,867,591)</u>
Net patient and resident service revenue	11,723,044	10,420,554
Provision for bad debts	<u>(423,930)</u>	<u>(490,885)</u>
Net patient and resident service revenue (net of provision for bad debts)	<u>\$ 11,299,114</u>	<u>\$ 9,929,669</u>

NOTE 4 – CASH AND DEPOSITS

The Hospital's deposits in banks at June 30, 2004 and 2003, were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

Investments reported are not subject to risk categorization. Money market, certificates of deposit, and savings accounts classified as investments in the financial statements are presented as cash and deposits in this note.

At June 30, 2004 and 2003, the Hospital's carrying amounts of investments are as follows:

	<u>2004</u>	<u>2003</u>
Money market	\$ 2,852,366	\$ 6,732,898
Certificates of deposit	30,000	827,350
Savings accounts	12,218	13,055
Investment in Health Enterprises	<u>5,000</u>	<u>5,000</u>
	<u>\$ 2,899,584</u>	<u>\$ 7,578,303</u>

(continued on next page)

JACKSON COUNTY PUBLIC HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE 5 – LAND, BUILDINGS, AND EQUIPMENT

A summary of land, buildings, and equipment at June 30, 2004 and 2003, follows:

	June 30, 2003				June 30, 2004
	Balance	Additions	Deductions	Transfers	Balance
Cost					
Land	\$ 58,128	\$ 16,316	\$ -	\$ -	\$ 74,444
Land improvements	139,657	-	-	-	139,657
Buildings	7,730,730	5,823,822	9,746	-	13,544,806
Equipment	4,823,521	1,157,001	951,833	-	5,028,689
Construction in progress	3,476,276	5,463,468	-	(5,864,348)	3,075,396
	<u>\$ 16,228,312</u>	<u>\$ 12,460,607</u>	<u>\$ 961,579</u>	<u>\$ (5,864,348)</u>	<u>\$ 21,862,992</u>
Accumulated depreciation					
Land improvements	\$ 89,222	\$ 9,468	\$ -	\$ -	\$ 98,690
Buildings	5,108,737	467,412	8,636	-	5,567,513
Equipment	3,409,418	444,100	941,318	-	2,912,200
	<u>\$ 8,607,377</u>	<u>\$ 920,980</u>	<u>\$ 949,954</u>	<u>\$ -</u>	<u>\$ 8,578,403</u>
	June 30, 2002				June 30, 2003
	Balance	Additions	Deductions	Transfers	Balance
Cost					
Land	\$ 58,128	\$ -	\$ -	\$ -	\$ 58,128
Land improvements	135,827	5,085	1,255	-	139,657
Buildings	7,458,689	472,861	200,820	-	7,730,730
Equipment	4,452,267	440,252	68,998	-	4,823,521
Construction in progress	47,742	3,428,534	-	-	3,476,276
	<u>\$ 12,152,653</u>	<u>\$ 4,346,732</u>	<u>\$ 271,073</u>	<u>\$ -</u>	<u>\$ 16,228,312</u>
Accumulated depreciation					
Land improvements	\$ 81,099	\$ 9,378	\$ 1,255	\$ -	\$ 89,222
Buildings	5,047,801	260,834	199,898	-	5,108,737
Equipment	3,103,199	375,197	68,978	-	3,409,418
	<u>\$ 8,232,099</u>	<u>\$ 645,409</u>	<u>\$ 270,131</u>	<u>\$ -</u>	<u>\$ 8,607,377</u>

Construction in progress at June 30, 2004, consisted of renovation of acute care and other adjacent areas. The estimated total cost of this project is \$3,000,000 which will be financed with Hospital funds and proceeds from debt.

JACKSON COUNTY PUBLIC HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE 6 – NOTE PAYABLE

Note payable consists of amounts drawn on a 2.65% fixed rate loan with a bank. The loan is secured by the net revenues of the Hospital.

NOTE 7 – PENSION AND RETIREMENT BENEFITS

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary, and the Hospital is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by state statute. The Hospital's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$296,904, \$281,308, and \$253,452, respectively, equal to the required contributions for each year.

NOTE 8 – MALPRACTICE INSURANCE

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

NOTE 9 – RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at June 30, 2004 and 2003, was as follows:

	2004	2003
Medicare	42.8%	33.9%
Medicaid	13.0	15.1
Blue Cross	8.0	11.8
Other third-party payors, patients, and residents	36.2	39.2
	<u>100.0%</u>	<u>100.0%</u>



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**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY INFORMATION**

The Board of Trustees
Jackson County Public Hospital
Maquoketa, Iowa

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Eide Bailly LLP

Dubuque, Iowa
September 15, 2004

JACKSON COUNTY PUBLIC HOSPITAL
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS – BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED JUNE 30, 2004

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Budget	Variance Favorable (Unfavorable)
Estimated amount to be raised by taxation	\$ 795,680	\$ -	\$ 795,680	\$ 795,000	\$ 680
Estimated other revenues/ receipts	11,499,581	244,065	11,743,646	11,349,557	394,089
	12,295,261	244,065	12,539,326	12,144,557	394,769
Expenses/disbursements	11,607,802	5,600,251	17,208,053	16,309,096	(898,957)
Net	687,459	(5,356,186)	(4,668,727)	(4,164,539)	<u>\$ (504,188)</u>
Balance beginning of year	15,731,301	(8,103,671)	7,627,630	6,619,539	
Balance end of year	<u>\$ 16,418,760</u>	<u>\$(13,459,857)</u>	<u>\$ 2,958,903</u>	<u>\$ 2,455,000</u>	

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Hospital on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULES OF NET PATIENT AND RESIDENT SERVICE REVENUE
YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR 2003

	2004			2003
	Inpatient	Outpatient	Total	Total
PATIENT AND RESIDENT SERVICE REVENUE				
Routine services	\$ 1,088,015	\$ 201,285	\$ 1,289,300	\$ 1,185,959
Delivery and labor rooms	38,497	4,180	42,677	65,904
Intensive care	50,778	2,675	53,453	59,389
Intermediate care	914,050	-	914,050	854,723
Nursery	94,549	27,582	122,131	135,460
Skilled nursing facility	106,530	-	106,530	95,634
Operating and recovery rooms	251,240	1,241,896	1,493,136	1,578,206
Emergency services	123,841	1,675,651	1,799,492	1,995,692
Ambulance	111,654	565,649	677,303	635,770
Medical supplies	165,994	316,991	482,985	461,361
Dialysis	17,384	981,613	998,997	314,926
Respiratory therapy	172,672	242,214	414,886	554,485
Laboratory and blood bank	354,831	907,937	1,262,768	1,173,677
Radiology	281,523	2,497,469	2,778,992	2,311,241
Nuclear medicine	9,548	216,428	225,976	307,025
Pharmacy	1,564,164	981,366	2,545,530	1,652,462
Anesthesiology	68,054	192,121	260,175	462,454
Physical therapy	111,937	542,729	654,666	633,806
Cardiac rehab	106	99,274	99,380	80,277
Occupational and speech therapy	84,135	115,141	199,276	61,652
Community health	-	676,830	676,830	678,205
Clinic	-	29,725	29,725	31,771
	<u>\$ 5,609,502</u>	<u>\$ 11,518,756</u>	17,128,258	15,330,079
Charity care			(21,142)	(41,934)
Total patient and resident service revenue			<u>17,107,116</u>	<u>15,288,145</u>
CONTRACTUAL ADJUSTMENTS				
Medicare			(3,860,604)	(3,105,396)
Medicaid			(883,305)	(1,057,904)
Policy discounts			(53,863)	(60,493)
Other			(586,300)	(643,798)
Total contractual adjustments			<u>(5,384,072)</u>	<u>(4,867,591)</u>
NET PATIENT AND RESIDENT SERVICE REVENUE			11,723,044	10,420,554
PROVISION FOR BAD DEBTS			<u>(423,930)</u>	<u>(490,885)</u>
NET PATIENT AND RESIDENT SERVICE REVENUE (NET OF PROVISION FOR BAD DEBTS)			<u>\$ 11,299,114</u>	<u>\$ 9,929,669</u>

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OTHER OPERATING REVENUES		
Meals on wheels	\$ 34,570	\$ 37,365
Diabetic education	25,137	29,171
Home delivered meals	12,077	17,294
State replacement tax	-	8,453
Rent	1,051	8,445
Purchase discounts	20,524	6,537
Medical records transcript fee	4,801	4,803
Ambulance subsidies	2,869	3,377
Dietary consulting	1,568	1,904
Cafeteria	1,764	1,236
Education programs	590	629
Other	<u>15,653</u>	<u>9,746</u>
TOTAL OTHER OPERATING REVENUES	<u>\$ 120,604</u>	<u>\$ 128,960</u>

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
NURSING ADMINISTRATION		
Salaries and wages	\$ 101,793	\$ 106,831
Supplies	3,076	6,008
Service contracts	623	820
Travel and education	1,994	7,108
Dues and subscriptions	835	320
Other	548	1,477
	<u>108,869</u>	<u>122,564</u>
ROUTINE SERVICES		
Salaries and wages	850,571	756,257
Supplies	25,955	29,739
Repairs and maintenance	213	-
Service contracts	25,954	65,201
Travel and education	4,511	2,026
Dues and subscriptions	200	50
Other	3,513	1,452
	<u>910,917</u>	<u>854,725</u>
INTENSIVE CARE		
Salaries and wages	11,174	12,616
Supplies	1,584	3,118
Service contracts	7,788	7,788
Travel and education	801	-
	<u>21,347</u>	<u>23,522</u>
DELIVERY AND LABOR		
Salaries and wages	<u>38,455</u>	<u>40,723</u>
NURSERY		
Salaries and wages	21,150	22,376
Supplies	4	25
	<u>21,154</u>	<u>22,401</u>
SKILLED NURSING FACILITY AND INTERMEDIATE CARE		
Salaries and wages	485,906	464,537
Supplies	24,853	20,897
Repairs and maintenance	177	45
Service contracts	19,066	11,756
Travel and education	2,044	1,341
Dues and subscriptions	1,595	1,614
Other	10,048	1,970
	<u>543,689</u>	<u>502,160</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
OPERATING AND RECOVERY ROOMS		
Salaries and wages	\$ 168,424	\$ 168,369
Supplies	22,619	32,894
Repairs and maintenance	6,081	11,259
Service contracts	6,101	9,662
Travel and education	148	163
Dues and subscriptions	35	479
Other	787	3,264
	<u>204,195</u>	<u>226,090</u>
EMERGENCY SERVICES		
Salaries and wages	388,216	376,173
Supplies	19,017	13,821
Repairs and maintenance	352	201
Service contracts	409,596	394,004
Travel and education	658	769
Dues and subscriptions	95	507
Other	6,169	90
	<u>824,103</u>	<u>785,565</u>
AMBULANCE		
Salaries and wages	312,270	275,514
Supplies	11,497	12,888
Repairs and maintenance	4,699	6,372
Service contracts	4,472	6,015
Travel and education	511	186
Dues and subscriptions	175	100
Other	3,812	773
	<u>337,436</u>	<u>301,848</u>
MEDICAL SUPPLIES		
Salaries and wages	23,089	30,098
Supplies	229,801	202,445
Repairs and maintenance	14,718	25,097
Service contracts	24,287	20,062
Travel and education	110	110
Dues and subscriptions	-	175
Other	6,886	7,650
	<u>298,891</u>	<u>285,637</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
DIALYSIS		
Salaries and wages	\$ 159,070	\$ 106,521
Supplies	181,202	98,881
Repairs and maintenance	10,292	1,966
Service contracts	13,244	7,700
Travel and education	1,446	6,543
Dues and subscriptions	175	110
Other	2,647	1,744
	<u>368,076</u>	<u>223,465</u>
RESPIRATORY THERAPY		
Salaries and wages	29,656	39,464
Supplies	1,135	2,673
Repairs and maintenance	-	119
Service contracts	5,218	4,968
Travel and education	-	22
Other	575	-
	<u>36,584</u>	<u>47,246</u>
LABORATORY AND BLOOD BANK		
Salaries and wages	247,184	234,453
Supplies	205,974	196,866
Repairs and maintenance	546	914
Service contracts	127,142	132,635
Travel and education	1,226	875
Dues and subscriptions	140	140
Other	8,923	7,824
	<u>591,135</u>	<u>573,707</u>
RADIOLOGY		
Salaries and wages	192,912	178,808
Supplies	63,025	60,994
Nuclear medicine expense	264,752	235,587
Repairs and maintenance	4,075	6,862
Service contracts	46,422	61,230
Travel and education	48	44
Dues and subscriptions	1,766	4,322
Other	1,432	2,600
	<u>574,432</u>	<u>550,447</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
PHARMACY		
Salaries and wages	\$ 130,236	\$ 123,912
Supplies	522,860	348,291
Repairs and maintenance	7,692	7,552
Service contracts	6,891	3,866
Travel and education	429	520
Dues and subscriptions	1,012	3,794
Other	7,521	5,401
	<u>676,641</u>	<u>493,336</u>
ANESTHESIOLOGY		
Salaries and wages	183,854	173,036
Professional fees	10,015	-
Supplies	4,217	4,063
Repairs and maintenance	2,531	-
Service contracts	3,050	6,017
Travel and education	2,543	1,768
Dues and subscriptions	1,220	1,200
Other	494	287
	<u>207,924</u>	<u>186,371</u>
PHYSICAL THERAPY		
Salaries and wages	192,755	186,222
Professional fees	-	611
Supplies	5,770	8,036
Repairs and maintenance	57	285
Service contracts	1,305	1,305
Travel and education	3,701	4,149
Dues and subscriptions	505	490
Other	3,585	893
	<u>207,678</u>	<u>201,991</u>
CARDIAC REHAB		
Salaries and wages	41,194	35,295
Supplies	542	93
Repairs and maintenance	1,837	1,604
Service contracts	4,298	4,298
Travel and education	334	73
Dues and subscriptions	150	850
Other	91	(797)
	<u>48,446</u>	<u>41,416</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
OCCUPATIONAL THERAPY		
Professional fees	\$ 62,048	\$ 45,162
Other	310	-
	<u>62,358</u>	<u>45,162</u>
SPEECH THERAPY		
Professional fees	23,842	21,262
Other	333	114
	<u>24,175</u>	<u>21,376</u>
COMMUNITY HEALTH		
Salaries and wages	385,353	378,836
Supplies	51,868	21,060
Repairs and maintenance	89	-
Service contracts	104	104
Travel and education	28,952	27,463
Dues and subscriptions	1,096	2,384
Other	7,283	361
	<u>474,745</u>	<u>430,208</u>
SOCIAL SERVICES		
Salaries and wages	39,669	40,159
Supplies	105	175
Travel and education	599	536
Dues and subscriptions	75	-
	<u>40,448</u>	<u>40,870</u>
MEDICAL RECORDS		
Salaries and wages	169,209	145,119
Professional fees	-	528
Supplies	3,848	4,118
Repairs and maintenance	694	-
Service contracts	23,415	26,742
Travel and education	1,006	819
Dues and subscriptions	1,257	1,060
Other	2,155	1,505
	<u>201,584</u>	<u>179,891</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
DIETARY		
Salaries and wages	\$ 218,410	\$ 211,098
Supplies	117,477	116,532
Repairs and maintenance	3,122	5,778
Service contracts	1,176	671
Travel and education	1,373	1,608
Dues and subscriptions	40	-
Other	312	1,170
	<u>341,910</u>	<u>336,857</u>
OPERATION OF PLANT		
Salaries and wages	178,605	164,096
Supplies	34,292	44,869
Repairs and maintenance	36,202	26,506
Service contracts	13,009	26,931
Travel and education	169	55
Utilities	317,975	231,843
Other	6,951	3,654
	<u>587,203</u>	<u>497,954</u>
HOUSKEEPING		
Salaries and wages	139,677	129,366
Supplies	22,448	15,871
Repairs and maintenance	2,488	1,496
Other	3,000	3,871
	<u>167,613</u>	<u>150,604</u>
LAUNDRY		
Salaries and wages	58,007	51,990
Supplies	18,268	14,127
Repairs and maintenance	1,817	1,497
Other	30	209
	<u>78,122</u>	<u>67,823</u>
PURCHASING		
Salaries and wages	57,984	54,374
Supplies	13,337	(4,160)
Service contracts	5,324	3,519
Travel and education	1,197	968
Utilities	70	60
Other	2,677	16
	<u>80,589</u>	<u>54,777</u>

(continued)

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ADMINISTRATIVE SERVICES		
Salaries and wages	\$ 392,607	\$ 446,844
Professional fees	101,327	86,704
Supplies	72,178	86,007
Repairs and maintenance	946	2,301
Service contracts	415,378	145,972
Travel and education	6,386	6,228
Telephone	32,578	26,229
Recruitment	5,625	12,289
Insurance	99,626	76,418
Dues and subscriptions	27,645	29,404
Other	46,978	35,457
	<u>1,201,274</u>	<u>953,853</u>
UNASSIGNED EXPENSES		
Depreciation	920,980	645,409
Employee benefits		
Payroll taxes	687,627	648,687
Insurance	712,216	624,065
Other	6,986	6,572
	<u>2,327,809</u>	<u>1,924,733</u>
TOTAL OPERATING EXPENSES	<u>\$ 11,607,802</u>	<u>\$ 10,187,322</u>

JACKSON COUNTY PUBLIC HOSPITAL
PATIENT AND RESIDENT RECEIVABLES AND ALLOWANCE FOR DOUBTFUL
ACCOUNTS
JUNE 30, 2004 AND 2003

ANALYSIS OF AGING

<u>Days Since Discharge</u>	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
30 days or less	\$ 1,534,355	63.91%	\$ 1,340,324	61.64%
31 to 120 days	661,644	27.56	643,777	29.61
121 to 180 days	92,756	3.86	78,349	3.60
181 days and over	<u>112,147</u>	<u>4.67</u>	<u>111,891</u>	<u>5.15</u>
	2,400,902	<u>100.00%</u>	2,174,341	<u>100.00%</u>
Less: Allowance for doubtful accounts	163,000		165,000	
Allowance for contractual adjustments	<u>680,000</u>		<u>421,000</u>	
Net	<u>\$ 1,557,902</u>		<u>\$ 1,588,341</u>	

ALLOWANCE FOR DOUBTFUL ACCOUNTS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
BALANCE, BEGINNING OF YEAR	\$ 165,000	\$ 130,536
Add: Provision for bad debts	423,930	490,885
Less: Accounts written off net of recoveries	<u>(425,930)</u>	<u>(456,421)</u>
BALANCE, END OF YEAR	<u>\$ 163,000</u>	<u>\$ 165,000</u>

JACKSON COUNTY PUBLIC HOSPITAL
SUPPLIES/PREPAID EXPENSES
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
SUPPLIES		
ACCU	\$ 2,466	\$ 2,233
Ambulance	3,790	1,638
Anesthesia	991	1,258
Business office	124	101
Cardiopulmonary	153	106
Central office	2,606	3,305
Dietary	771	1,270
Dietary food	8,261	9,309
Emergency room	4,809	5,273
Home health	307	358
Housekeeping	1,579	2,225
Lab	738	245
Lab – NI supplies	32,669	21,309
Maintenance	19,690	3,346
Medical records	84	127
OB	1,030	1,269
OR	2,529	1,935
OR – NI supplies	49,391	38,313
Outpatient	80	422
Pharmacy	948	374
Pharmacy – Amerisource	113,453	93,266
Physical therapy	1,027	897
Purchasing	37,449	49,504
Radiology	4,278	3,531
SNF	766	2,077
Dialysis	2,818	1,469
	<u>2,818</u>	<u>1,469</u>
Total	\$ <u>292,807</u>	\$ <u>245,160</u>
PREPAID EXPENSES		
Insurance	\$ 24,665	\$ 64,504
Service contracts	<u>40,803</u>	<u>29,484</u>
Total	\$ <u>65,468</u>	\$ <u>93,988</u>

JACKSON COUNTY PUBLIC HOSPITAL
STATISTICAL INFORMATION
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
PATIENT DAYS		
Hospital		
Acute	1,504	1,548
Swing-bed	1,097	963
Newborn	154	202
Nursing home	6,629	6,541
NUMBER OF BEDS		
Hospital	25	25
Nursing home	18	18
PERCENTAGE OF OCCUPANCY		
Hospital (excluding newborn)	29%	28%
DISCHARGES		
Hospital		
Acute	520	558
Swing-bed	133	118
AVERAGE LENGTH OF STAY		
Hospital		
Acute	2.89	2.77
Swing-bed	8.25	8.16
COLLECTION STATISTICS		
Net accounts receivable – patients and residents	\$ 1,557,902	\$ 1,588,341
Number of days charges outstanding (1)	51	56
Uncollectible accounts (2)	\$ 491,192	\$ 567,123
Percentage of uncollectible accounts to total charges	2.9%	3.7%

(1) Based on average daily net patient and resident service revenue for April, May, and June.

(2) Includes provision for bad debts, charity care, and collection fees.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Trustees
Jackson County Public Hospital
Maquoketa, Iowa

We have audited the accompanying balance sheets of **Jackson County Public Hospital** as of June 30, 2004 and 2003, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended and have issued our report thereon dated September 15, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of **Jackson County Public Hospital** are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the years ended June 30, 2004 and 2003, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. There were no prior year statutory comments and recommendations.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the internal control over financial reporting of **Jackson County Public Hospital** in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the ability of **Jackson County Public Hospital** to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part I, item I-A-04, in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. Prior year reportable condition item I-A-04 has not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of **Jackson County Public Hospital** and other parties to whom **Jackson County Public Hospital** may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of **Jackson County Public Hospital** during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Erin Bailey LLP

Dubuque, Iowa
September 15, 2004

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITION:

I-A-04 Segregation of Duties – One important aspect of internal controls is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure optimal internal control.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Hospital should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We are aware of the situation and will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Hospital disbursements during the year ended June 30, 2004, exceeded amounts budgeted by \$898,957.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense – No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

II-E-04 Business Transactions – No transactions were noted between Hospital and Hospital officials or employees other than those exempted by law: i.e., bankers on the Board of Trustees.

JACKSON COUNTY PUBLIC HOSPITAL
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

- II-F-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy were noted.